

EXHIBIT 1

INTRODUCTION

Respondent Citizens for Foothill-De Anza, a Committee to Support Measure E (the “Committee”), was a recipient committee primarily formed to support a \$248 million bond measure placed on the November 1999 Santa Clara County ballot by the Foothill-De Anza Community College District. At all times relevant to this matter, Respondent Robert A. Grimm (“Grimm”) was the treasurer of Respondent Committee.

The Political Reform Act (the “Act”)¹ requires committees primarily formed to support a local measure to comply with various campaign reporting requirements regarding contributions. In this matter, Respondents violated the Act by failing to report on Respondent Committee’s semi-annual campaign statement, the receipt, repayment, and forgiveness of a \$150,000 loan, as well as non-monetary contributions received by Respondent Committee. In addition, in further violation of the Act, Respondents failed to send major donor notification letters to contributors of \$5,000 or more.

For the purposes of this stipulation, Respondent’s violations of the Act are stated as follows:

COUNT 1: Respondents Citizens for Foothill-De Anza, a Committee to Support Measure E, and Robert A. Grimm failed to send a major donor notification letter to TBP Architecture, a contributor of \$5,000 or more, by the November 3, 1999 due date, in violation of section 84105.

COUNT 2: Respondents Citizens for Foothill-De Anza, a Committee to Support Measure E, and Robert A. Grimm failed to send a major donor notification letter to Foothill-De Anza Community Colleges Foundation, a contributor of \$5,000 or more, by the November 5, 1999 due date, in violation of section 84105.

COUNT 3: Respondents Citizens for Foothill-De Anza, a Committee to Support Measure E, and Robert A. Grimm failed to send a major donor notification letter to Morgan Stanley & Co. Incorporated, a contributor of \$5,000 or more, by the November 6, 1999 due date, in violation of section 84105.

COUNT 4: Respondents Citizens for Foothill-De Anza, a Committee to

¹ The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in sections 18109 through 18997 of title 2 of the California Code of Regulations. All regulatory references are to title 2, division 6 of the California Code of Regulations, unless otherwise indicated.

Support Measure E, and Robert A. Grimm failed to send a major donor notification letter to Applied Materials, Inc., a contributor of \$5,000 or more, by the November 12, 1999 due date, in violation of section 84105.

COUNT 5: Respondents Citizens for Foothill-De Anza, a Committee to Support Measure E, and Robert A. Grimm failed to send a major donor notification letter to De Anza Associated Student Body, a contributor of \$5,000 or more, by the December 4, 1999 due date, in violation of section 84105.

COUNT 6: Respondents Citizens for Foothill-De Anza, a Committee to Support Measure E, and Robert A. Grimm failed to disclose the receipt of a \$150,000 loan, on a semi-annual campaign statement filed on December 23, 1999, for the reporting period October 17, 1999 to December 31, 1999, in violation of sections 84211, subdivision (f), and 84216, subdivision (c).

COUNT 7: Respondents Citizens for Foothill-De Anza, a Committee to Support Measure E, and Robert A. Grimm failed to disclose the partial repayment of a \$150,000 loan, on a semi-annual campaign statement filed on December 23, 1999, for the reporting period October 17, 1999 to December 31, 1999, in violation of sections 84211, subdivision (f), and 84216, subdivision (d).

COUNT 8: Respondents Citizens for Foothill-De Anza, a Committee to Support Measure E, and Robert A. Grimm failed to disclose the partial forgiveness of a \$150,000 loan, on a semi-annual campaign statement filed on December 23, 1999, for the reporting period October 17, 1999 to December 31, 1999, in violation of sections 84211, subdivision (f), and 84216, subdivision (d).

COUNT 9: Respondents Citizens for Foothill-De Anza, a Committee to Support Measure E, and Robert A. Grimm failed to disclose non-monetary contributions on a semi-annual campaign statement filed on December 23, 1999, in violation of section 84211, subdivision (f).

SUMMARY OF THE LAW

An express purpose of the Act, as set forth in section 81002, subdivision (a), is to ensure that the contributions and expenditures affecting election campaigns are fully and truthfully disclosed to the public, so that voters may be better informed, and improper practices may be inhibited. To that end, the Act sets forth a comprehensive campaign reporting system designed to accomplish this purpose of disclosure.

Section 82013, subdivision (a) includes within the definition of “committee” any person

or combination of persons who directly or indirectly receives contributions totaling one thousand dollars (\$1,000) or more in a calendar year. This type of committee is commonly referred to as a “recipient” committee. Under the Act, there are different kinds of recipient committees, defined by the type of election activity they engage in. A recipient committee that is formed or exists primarily to support or oppose a single measure is defined in section 82047.5, subdivision (b) of the Act as a “primarily formed committee.”

Under section 84215, subdivision (d), a primarily formed committee that is formed or exists primarily to support or oppose a measure voted on in any number of jurisdictions within one county is required to file the committee’s campaign statements with the clerk of the county in which the committee is domiciled.

Duty to Notify Contributors of \$5,000 or More

When a committee receives a contribution of \$5,000 or more, section 84105 requires the committee to notify the contributor that he or she may qualify as a “major donor committee” and therefore have filing obligations under the Act. The notice must be in writing, and sent within two weeks of receiving the contribution. A contributor may qualify as a major donor committee by making contributions totaling \$10,000 or more in a calendar year. (Section 82103, subd. (c).)

Duty to Disclose the Receipt, Repayment, and Forgiveness of Loans

Section 82015, subdivision (a) defines a “contribution” as a “payment, a forgiveness of a loan, a payment of a loan by a third party, or an enforceable promise to make a payment except to the extent that full and adequate consideration is received, unless it is clear from the surrounding circumstances that it is not made for political purposes.” Section 82044 includes loans within the definition of “payment.”

Notwithstanding section 82015, a loan received by a candidate or committee is a contribution unless the loan is received from a commercial lending institution in the ordinary course of business, or it is clear from the surrounding circumstances that it is not made for political purposes. (Section 84216, subd.(a).) Section 84216, as it existed in 1999, provided at subdivision (c), that any loan received by a committee must be reported in the committee’s campaign statement for the reporting period in which the loan is received. If the cumulative amount of loans received from a person is \$100 or more, and the person has made a loan, or a loan from that person is outstanding, during a reporting period, section 84216, subdivision (c), as it existed in 1999, required a committee’s campaign statement for that reporting period to contain the following information about the lender: (1) the full name and street address of the lender; (2) the lender’s occupation; (3) the name of the lender’s employer, or if self-employed, the name of his or her business; (4) the original date and amount of the loan; (5) the due date and interest rate of the loan; (6) the balance outstanding at the end of the reporting period; and (7) the cumulative amount of contributions received from the lender.

Furthermore, for any reporting period in which any part of a loan is repaid or forgiven, section 84216, subdivision (d), as it existed in 1999, further required a committee’s campaign

statement for that reporting period to contain, in addition to the information required by section 84211 above, the amount of any forgiveness or repayment of any part of the loan by the lender.

Duty to Disclose Non-Monetary Contributions

Section 82015, subdivision (b)(1) provides that a payment made at the behest of a candidate, committee, or elected officer is a contribution to the candidate, committee, or elected officer unless full and adequate consideration is received for making the payment. A payment of this kind is reported as a non-monetary contribution from the expending party.

Section 84211, subdivision (f) requires disclosure of all non-monetary contributions of \$100 or more, including: the full name of the contributor; the street address of the contributor; the occupation of the contributor; the employer of the contributor, or if self-employed, the name of the contributor's business; the date and amount of each non-monetary contribution received during the period covered by the campaign statement; and the cumulative amount of non-monetary contributions received from the contributor.

Treasurer Liability.

Section 81004, subdivision (b), section 84100, and regulation 18427, subdivision (a), require a committee's treasurer to ensure that the committee complies with the requirements of the Act concerning the receipt and expenditure of funds, and the reporting of such funds. A committee's treasurer may be held jointly liable, along with the committee, for any reporting violations committed by the committee.

SUMMARY OF THE FACTS

Respondent Committee was a "primarily formed" recipient committee, created on July 12, 1999 to support a bond measure on the November 2, 1999 Santa Clara County ballot. Respondent Committee was terminated on December 23, 1999. At all times relevant to this matter, Respondent Grimm was the treasurer of Respondent Committee. Respondent Grimm was an experienced treasurer, having served as a treasurer for approximately 19 local campaigns over the years, and was well versed in the Act's campaign reporting obligations.

The Foothill-De Anza Community College District (the "District") placed the \$248 million bond measure on the ballot to help raise funds to pay for infrastructure repair, renovation, and rehabilitation at the Foothill and De Anza colleges. Respondents reported on Respondent Committee's semi-annual campaign statement filed on December 23, 1999, that they received \$246,822 in contributions and made \$247,574 in expenditures to support the passage of Measure E during the election campaign.

COUNTS 1-5

Failure to Send Major Donor Notifications

As a recipient committee, Respondent Committee, and its treasurer, Respondent Grimm, had a duty to notify any person who contributed \$5,000 or more to Respondent Committee that the contributor may be obligated to file campaign statements as a major donor committee. On or about and between October 20, 1999 and November 20, 1999, Respondents received five contributions of \$5,000 or more, totaling \$255,500. Within two weeks of receiving each of the five contributions, Respondents were required to notify each contributor of the potential obligation to file a campaign statement as a major donor committee. Respondents, however, failed to send the notifications.

The following table sets forth by count the name of each contributor to whom Respondents did not send the required notification, the date a contribution was received that triggered the notification requirement, the amount of the contributions made by the contributor to Respondent Committee at the time the notification requirement was triggered, and the date by which the notification was required to be sent:

Counts	Contributor	Date Contribution Received	Amount of Contribution	Notification Due Date
1	TBP Architecture	Oct. 20, 1999	\$6,000	Nov. 3, 1999
2	Foothill-De Anza Community Colleges Foundation	Oct. 22, 1999	\$150,000	Nov. 5, 1999
3	Morgan Stanley & Co. Incorporated	Oct. 23, 1999	\$9,500	Nov. 6, 1999
4	Applied Materials, Inc.	Oct. 29, 1999	\$15,000	Nov. 12, 1999
5	De Anza Associated Student Body	Nov. 20, 1999	\$75,000	Dec. 4, 1999
	Total		\$255,500	

By failing to send a major donor notification to five contributors of \$5,000 or more, Respondents committed five violations of section 84105. Respondents' failure to send the major donor notifications caused the two largest contributors to the Measure E campaign, the Foothill-De Anza Community Colleges Foundation and the De Anza Associated Student Body, to violate the Act by failing to file a major donor campaign statement.

COUNTS 6-8

Failure to Disclose the Receipt, Repayment, and Forgiveness of a Loan

As a recipient committee, Respondent Committee, and its treasurer, Respondent Grimm, had a duty to report any contribution of \$100 or more, including loans, received by Respondent Committee in the committee's campaign statement for the reporting period in which the loan was received, along with specified information regarding the person who made the loan. For any reporting period in which any part of a loan was repaid or forgiven, Respondents were further required to report the amount of any forgiveness by the lender or repayment of any part of the loan by Respondent Committee.

COUNT 6

On or about October 22, 1999, Respondents received a \$150,000 contribution, in the form of a loan, from the Foothill-De Anza Community Colleges Foundation (the “Foundation”).

Respondents disclosed the \$150,000 loan on a late contribution report filed by Respondent Committee with the Santa Clara County Registrar of Voters on October 22, 1999. However, Respondents failed to disclose the \$150,000 loan on Respondent Committee’s semi-annual campaign statement filed with the Santa Clara County Registrar of Voters on December 23, 1999, for the reporting period October 17, 1999 to December 31, 1999. Instead, Respondents incorrectly reported receiving a \$16,907.57 contribution from the Foundation, which represented a partial forgiveness of the \$150,000 loan. (Count 8 below).

By failing to disclose the \$150,000 loan on Respondent Committee’s semi-annual campaign statement, Respondents committed a violation of sections 84211, subdivision (f), and 84216, subdivision (c). Respondents’ failure to disclose this loan on Respondent Committee’s semi-annual campaign statement caused the total amount of reported contributions of \$100 or more received by Respondent Committee during the reporting period to be understated by more than a third of the gross receipts of Respondent Committee.

COUNT 7

On or about December 15, 1999, Respondents made a payment to the Foundation, in the amount of \$133,092.43. This payment was a partial repayment of the \$150,000 loan.

Respondents failed to report this partial repayment of the \$150,000 outstanding loan to the Foundation on Respondent Committee’s semi-annual campaign statement filed with the Santa Clara County Registrar of Voters on December 23, 1999, for the reporting period October 17, 1999 to December 31, 1999.

By failing to disclose the partial repayment of an outstanding loan in the amount of \$133,092.43 on Respondent Committee’s semi-annual campaign statement, Respondents committed a violation of sections 84211, subdivision (f), and 84216, subdivision (d).

COUNT 8

On or about December 15, 1999, after receiving a partial repayment of its outstanding loan to Respondent Committee, in the amount of \$133,092.43, the Foundation forgave the balance of the \$150,000 loan made to Respondent Committee, in the amount of \$16,907.57.

Respondents failed to report this partial forgiveness by the Foundation of its outstanding \$150,000 loan on Respondent Committee’s semi-annual campaign statement filed with the Santa Clara County Registrar of Voters on December 23, 1999, for the reporting period October 17, 1999 to December 31, 1999. As described in Count 6, Respondents simply reported receiving a

contribution from the Foundation in the amount of \$16,907.57.

By failing to disclose the partial forgiveness of an outstanding loan in the amount of \$16,907.57 on Respondent Committee's semi-annual campaign statement, Respondents committed a violation of sections 84211, subdivision (f), and 84216, subdivision (d).

COUNT 9 **Failure to Disclose Non-Monetary Contributions**

As a recipient committee, Respondent Committee, and its treasurer, Respondent Grimm, had a duty to disclose any non-monetary contribution of \$100 or more received by Respondent Committee in the committee's campaign statement for the reporting period in which the non-contribution was received, along with required information regarding the person who made the non-monetary contribution.

In 1999, Respondent Committee received non-monetary contributions of \$100 or more from various persons, totaling over \$4,000, including: office space for the Measure E campaign headquarters that had been donated to Respondent Committee by Villa De Anza, Inc., doing business as The Oaks Shopping Center, in the approximate amount of \$3,000; two I-MAC demonstration computers that Apple Computer, Inc. loaned to Respondent Committee, at an estimated fair market value of \$741.16; and other items that had been donated by various persons to Respondent Committee, such as tables, chairs, and telephones for the committee's headquarters, and telephone lines for phone banking.

Respondents failed to disclose any non-monetary contributions of \$100 or more on Respondent Committee's semi-annual campaign statement, filed on December 23, 1999, for the election campaign.

By failing to disclose any non-monetary contributions on Respondent Committee's semi-annual campaign statement, as described above, Respondents committed a violation of section 84211, subdivision (f).

CONCLUSION

This matter consists of nine counts, which carry a maximum administrative penalty of Eighteen Thousand Dollars (\$18,000).

Regarding Counts 1 through 5, the typical penalty for failing to send a major donor notification to a contributor of \$5,000 or more has historically ranged from \$1,000 to \$2,000 per violation, depending upon the circumstances of the case. In this matter, Respondents failed to send major donor notifications to a significant number of contributors, two of whom (Counts 2 and 5) ultimately failed to properly file major donor campaign statements. As such, imposition of the maximum penalty is appropriate for Counts 2 and 5, and imposition of a penalty at the lower end of that range is appropriate for Counts 1, 3, and 4, for a total of \$7,000, for these violations.

Regarding Counts 6, 7, and 8, the size of Respondent Committee's undisclosed loan from the Foundation is an aggravating factor. The \$150,000 loan was the single largest contribution made to Respondent Committee, and was made in the days immediately preceding the election. Respondents' failure to disclose this contribution and the \$133,092.43 partial repayment of the loan on Respondent Committee's semi-annual campaign statement caused the total amount of reported contributions received and expenditures made during the election campaign to be grossly understated. A mitigating factor is that Respondents reported the \$150,000 loan on a late contribution report, so the public was made aware of the contribution before the election. As such, a penalty of \$1,000 per violation, for a total of \$3,000, is appropriate for these violations.

Regarding Count 9, the typical penalty for failing to disclose a contribution has historically ranged from \$1,000 to \$2,000 per violation. In this matter, Respondents failed to disclose the receipt of any non-monetary contributions during the entire election campaign. As such, this non-disclosure also contributed to the total amount of reported contributions being understated. Therefore, imposition of the maximum penalty of \$2,000 is appropriate.

The facts of this case, including the factors discussed above, justify imposition of the agreed upon penalty of Twelve Thousand Dollars (\$12,000).